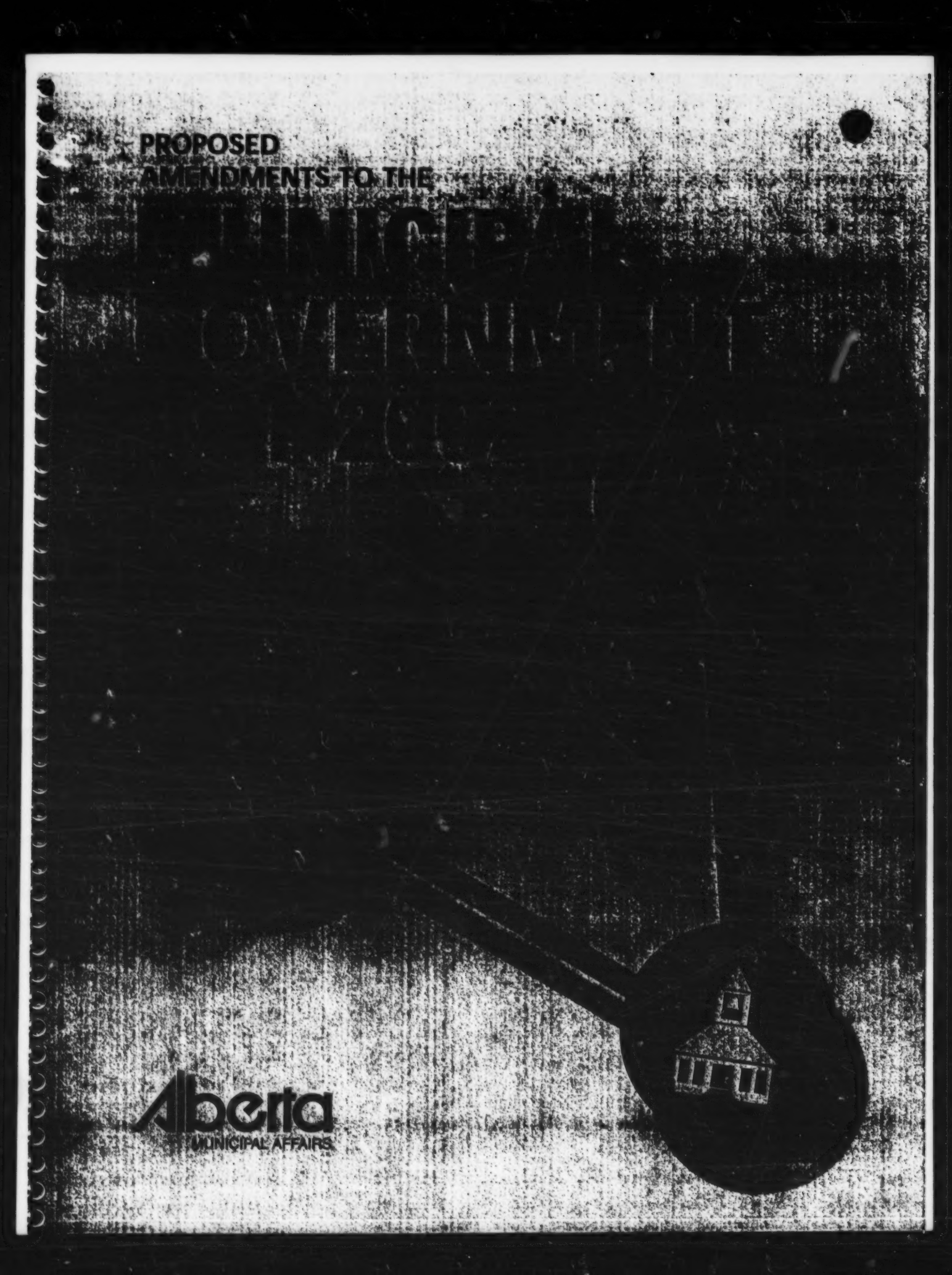
PROPOSED
AMENDMENTS TO THE

MUNICIPAL GOVERNMENT ACT



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December 2001

Dear Stakeholder:

This consultation document presents proposed amendments to the *Municipal Government Act* that are based on the recommendations of the Equalized Assessment Panel.

The Equalized Assessment Panel was established in 1999 to examine and evaluate the equalized assessment process in Alberta. This panel undertook a comprehensive review of the current equalized assessment process in Alberta with a goal to improve the current process, increase transparency of the equalized assessment system, and include more clearly defined standards for quality assurance in assessment practice. The review included presentations from the municipal associations, individual municipalities and the assessment community.

Your views are important to us. I invite you to review the proposed amendments and submit your comments by **March 11, 2002,** to:

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You may also complete the consultation questionnaire on the Local Government Services consultation interface at — **http://cnn12.gov.ab.ca/ma/consultation2.**

Thank you for your participation in this important review to improve the equalized assessment process.

Yours truly,

C.D. Radke
Deputy Minister

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Introduction

Alberta has a legal and financial history of participation in the funding of cost-shared programs, most notably education. Parts 9 and 10 of the Municipal Government Act (MGA) address property assessment and taxation and, along with the associated supporting regulations, provide the authority and process for producing the "equalized assessment." The equalized assessment is a number determined by the province that represents an adjustment of the municipality's previous year's taxable assessment to a common level of value. Currently, requisitions for cost-shared programs such as education are calculated based on the equalized assessment.

This document introduces proposed legislative changes to the MGA based on some of the recommendations made by the Equalized Assessment Panel (EAP) in its report of July 2000 to the Minister of Municipal Affairs. The proposed changes are necessary to enable improvements to the equalized assessment process. The primary recommendation of the EAP is the move to the use of the current year assessments of municipalities for calculating the equalized assessment. Requisitions will be more fairly determined and understood by ratepayers when they are levied on an equalized assessment that is based on the most current assessment information. The proposed amendments serve to improve the transparency of the equalized assessment process and quality of the information required.

The proposed amendments also complement the development by Municipal Affairs of a new internet-based, shared services computer environment entitled Assessment Shared Services Environment (ASSET). ASSET will allow the systems, tools, processes, data and people that deal with property and assessment to work in a more coordinated and integrated fashion. Together, the proposed amendments and ASSET assist in the implementation of some of the EAP recommendations and will improve the assessment practice throughout the province.

This consultation document begins with a summary of the proposed legislative changes, followed by a questionnaire soliciting stakeholder response and comment.

The Appendix outlines the mandate of the Equalized Assessment Panel and provides a summary of its recommendations.

Proposed Legislative Changes

1. Clarify the preparation of annual assessments

Section 285 of the MGA, provides for the preparation of annual assessments and reads as follows:

> *"Unless section 286 applies, each municipality must prepare annually an assessment for each property in the municipality, except the property listed in section 298."*

It is proposed that section 285 be amended to delete the reference to section 286 and to add an exception for linear property so that the section would read similar to the following:

> ***"Each municipality must prepare annually an assessment for each property in the municipality, except linear property and the property listed in section 298."***

The reference to section 286 can be removed as this section expired in December 1997. Section 286 allowed municipalities to adopt a prior year's assessment.

An exception is made for linear because linear assessments are prepared by the assessor designated by the Minister under section 292(1), not by the municipality.

2. Expand the duties of assessors

Section 293 concerns duties of assessors and provides direction about how these duties must be carried out.

It is proposed that section 293 be amended by adding a new subsection that would read similar to the following:

> ***"The assessor must, in the form and manner prescribed by the regulations, report information to the Minister about market value indicators for all property in the same municipality in which the property that is being assessed is located."***

This amendment is proposed to improve the provision and sharing of information that is critical to the production of correct assessments. This will be accomplished through the activation of the internet-based ASSET system.

3. Clarify the right to enter and inspect property

Section 294 concerns the right to enter and inspect property for the purpose of preparing assessments.

It is proposed that section 294 be amended by adding a new subsection that would read similar to the following:

> ***"An assessor must, on request, disclose to the owner or occupier of any property the purpose for which the information under this section and section 295 is being collected."***

This amendment is proposed to improve transparency concerning information required for preparing assessments.

4. Clarify the duty to provide information

Section 295(4) restricts the ability of making complaints against assessments on the basis of information requested and the dates by which it must be provided.

It is proposed that section 295(4) be amended to expand and modify the section so that it would read similar to the following:

> ***"(4) No person may make a complaint in the current year under section 460 or, in the case of linear property, under section 492(1), about an assessment if the person has failed to provide the information requested under subsection (1) within 60 days from the date of the request."***

This proposed amendment provides greater local autonomy and flexibility related to the task of gathering information for the purpose of preparing assessments. This proposed amendment responds to concerns raised by municipalities who had requested information and did not receive it until after the date specified in the legislation. Removal of the current date of February 15 is also necessary as it is an impediment to the implementation of ASSET, which would require all assessment information reported before that date.

5. Clarify assigning assessment classes to property

Section 297 provides for the assignment of different assessment classes to property (i.e., residential, non-residential, farm land and machinery and equipment) and provides definitions for the different property types.

It is proposed that section 297 be amended so that the words *"After an assessment is prepared or adopted"* be deleted so that subsection (1) would read similar to the following:

> ***"When preparing an assessment of property the assessor must assign one or more of the following assessment classes to the property:"***

The year of assessment data used to calculate the equalized assessment would be set out in legislation and would reflect the use of the most current assessment information for the purpose of calculating the equalized assessment. The proposed amendment clarifies that the assessment class of property must be assigned at the time that the property assessment is prepared. This responds to the EAP's recommendation 4A(i) to move to the use of more current information in determining equalized assessments.

6. Expand contents of the assessment roll

Section 303 outlines the contents of what an assessment roll must show for each property.

It is proposed that section 303 be amended by adding a new subsection that would read similar to the following:

> ***"The liability code assigned by the assessor in the form and manner prescribed by the regulations."***

The proposed amendment clarifies what the contents of an assessment roll must contain for use in property taxation and the development of a municipality's equalized assessment. The effective implementation of the ASSET system requires the reporting of property assessment information that has been assigned an assessment class and a liability code for taxation purposes.

7. Correct the assessment roll

Section 305 outlines the process for the correction of an error, omission or mis-description in any of the information shown on the assessment roll. The correction of the roll pertains to the current year only and requires the sending of an amended notice to document the correction.

It is proposed that section 305(2) be amended to remove the words "*or adopted*".

These words are redundant as the authority to adopt an assessment expired in 1997.

It is also proposed that a new subsection be added to section 305 to instruct the municipality that any change to an assessment shown on the roll must be reported to the Minister in the form and by the time prescribed by the regulation.

Knowledge of adjustments to the assessments on the assessment roll is necessary because these adjustments may precipitate changes to the calculation of the equalized assessment and requisitions.

8. Amend definition of equalized assessment

Section 317 defines "equalized assessment" for use in Division 5 of the Act concerning equalized assessments.

It is proposed that section 317 be amended to remove the words *"from the year preceding the year in which the equalized assessment is effective."*

The proposed amendment means that the equalized assessment will now be based on the current assessment year data.

It is proposed that this amendment would become effective January 1, 2004.

9. Clarify duty to provide information for equalized assessment

Section 319 requires municipalities to provide information requested by the Minister by April 1 so that the equalized assessment can be prepared.

It is proposed that section 319(1) be amended by changing the date and form of return so that the section would read similar to the following:

> ***"Each municipality must, in the form and within the time prescribed by the regulations, provide to the Minister annually a return containing the information, including declared assessments, requested by the Minister."***

It is also proposed section 319(2) be amended by deleting *"is available about the municipality"* and replace with wording similar to:

> ***"the Minister considers appropriate."***

The proposed amendments respond to the recommendations of the EAP and are part of changes required for the use of more current information in determining requisitions for cost-shared programs. It is proposed that a date be set in legislation by which information must be provided by the municipality to the Minister. This is necessary so that the provincial audit function can be completed by February 28 as required in section 302.

The proposed amendment to section 319(2) will allow the Minister to take action if the Minister has not received the information.

10. Clarify the acceptance and receipt of equalized assessments

Section 320 states that the Minister must send a report of all equalized assessments to each municipality by November 1.

It is proposed that section 320 be amended to reflect an earlier date so that the section would read similar to the following:

> ***"The Minister must accept annually, not later than February 28, those declared assessments provided under section 319 as the equalized assessments."***

Further, it is proposed that a new section (or subsection) be added that would read similar to the following:

> ***"The Minister must provide to each municipality annually, not later than March 1, sufficient information showing how the Minister prepared the equalized assessments for all municipalities."***

The first proposed amendment improves assessment business practices. It provides for an earlier date by which the Minister accepts the equalized assessment information already communicated to the Minister by the municipality.

The second proposed amendment ensures that the information necessary to explain the equalized assessment is shared with the impacted municipalities.

Together these proposed amendments respond to the EAP recommendations for improved transparency and exchange of information.

It is proposed that both of these amendments would become effective January 1, 2004.

11. Change time for appeal

Section 321 allows a municipality to appeal an equalized assessment to the Municipal Government Board not later than December 1 of the year in which the equalized assessment is prepared.

It is proposed that section 321 be amended by replacing it with wording similar to the following:

> ***"A municipality may appeal the amount of the equalized assessment to the Municipal Government Board not later than 30 days from the date the Minister provides the municipality with the information described in (new) section 320(2)."***

The proposed change in timing for appeal of an equalized assessment reflects the change in the timing of providing information on equalized assessment.

This section will not be necessary once the process of using the most current assessment information for the preparation of the annual equalized assessment is fully implemented.

12. Add authority to make a regulation regarding assessment audits

Section 322 sets out the authority for the Minister to make regulations respecting and prescribing procedures for matters affecting assessment and taxation of property.

It is proposed that section 322 be amended to provide the Minister with the authority to make a regulation "*respecting the audit of any matters relating to assessment in the Act.*"

This proposed amendment would provide for definitions and instructions to be addressed in a regulation. The definitions and instructions would be about procedures and processes necessary to and in support of the preparation of assessments to a provincial standard.

13. Expand the Minister's power to quash an assessment

Section 324 specifies that the Minister may quash an assessment after conducting an inspection under section 571.

It is proposed that the preamble in section 324 be amended to read similar to the following:

> ***"If, after an inspection under section 571 or audit under the regulations is completed, the Minister is of the opinion that an assessment"***

This proposed amendment sets out a distinction between situations involving an inspection, an audit or both, that could lead to the Minister's involvement in making sure that an assessment is performed as prescribed and within the timeline.

14. Amend the limit on the Municipal Government Board's jurisdiction

Section 488.1 outlines the Municipal Government Board's jurisdiction to hear an appeal relating to an equalized assessment set by the Minister.

It is proposed that section 488.1(b) be amended by deleting the words *"preceding the year".*

The proposed change in timing for complaints against an equalized assessment reflects the change to the use of more current assessment information and the change in timing of providing information on equalized assessment.

The proposed amendment would become effective January 1, 2004.

15. Clarify the information the Minister may provide to municipalities

Section 319 requires municipalities to provide information requested by the Minister by April 1 so that equalized assessments can be prepared. Proposal number 9 introduces an earlier date by way of regulation than April 1 by which information must currently be provided.

Section 570.1 currently states that the Minister may provide a municipality with any information on the assessment of property that the Minister may have.

It is proposed that section 570.1 be renumbered to 570.1(1) and amended to refer to information under section 319 using wording similar to the following:

> ***"subject to (new) section (2), the Minister may provide a municipality with any information requested under section 319 about the municipality or elsewhere."***

It is also proposed that the following two new subsections be added with wording similar to the following:

> **"(2)** ***A municipality may not receive information under subsection (1) unless it has entered into an agreement with the Minister regarding the confidentiality of the information.***
>
> **(3) This** ***sections prevails despite the Freedom of Information and Protection of Privacy Act."***

The proposed amendments serve to improve the transparency of the equalization process, which was a concern emphasized by the EAP.

16. Add a transitional provision for equalized appeals

There is a need to provide a transitional section regarding equalized complaints in progress to facilitate the implementation of the use of current assessments for the equalized assessment.

It is proposed that a provision be added to provide a transition for equalized complaints in progress as at December 31, 2003, so that the intent is as follows:

> ***"Where notice of complaint was given to the Municipal Government Board, and the complaint was not concluded by December 31, 2003, the complaint must continue to be dealt with as if these amendments had not come into force."***

The proposed amendment provides for transition from the current equalization process to that as proposed by the recommendations of the EAP.

STAKEHOLDER QUESTIONNAIRE

Stakeholder Questionnaire

Respondent: _____

Position: _____

Representing: _____

Please provide your comments and suggestions to the following:

1. **Do you have any comments concerning the wording amendment proposed for section 285?**

   _____
   _____
   _____
   _____

2. **Do you agree with the proposed amendment to section 293 to clarify the duties and the information that the assessor must report to the Minister?**

   ☐ **Yes** ☐ **No**

   If no, please provide your reasons.

   _____
   _____
   _____
   _____

3. **Do you agree with the proposed amendment to section 294 that allows the taxpayer to be informed of the purpose of the inspection?**

   ☐ **Yes** ☐ **No**

   If no, please provide your reasons.

   _____
   _____
   _____
   _____

4. **Do you support the proposed amendment to section 295(4) to provide the municipality with the flexibility to set a time period that best meets its business operations?**

☐ Support ☐ Conditionally Support ☐ Do not Support ☐ Not applicable

Comments:

_____
_____
_____
_____

5. **Do you agree with the proposed amendment to section 297 that clarifies that the assessor is responsible for the assignment of assessment classes to property?**

☐ Strongly agree ☐ Agree ☐ Somewhat agree ☐ Somewhat disagree

☐ Disagree ☐ Strongly disagree

Comments:

_____
_____
_____
_____

6. **Do you agree with the proposed amendment to section 303 that expands the contents of an assessment roll so that the liability code assignment must be noted?**

☐ Yes ☐ No

If no, please provide your reasons.

_____
_____
_____
_____

7. **Do you agree with the proposal to delete redundant wording in section 305(2)?**

☐ Yes ☐ No

If no, please provide your reasons.

_____
_____
_____
_____

8. **Do you support the proposed new subsection for section 305 that will allow for adjustments to be made to the assessment roll by the municipality and provide that these adjustments be reported in the form and by the time prescribed in the regulation?**

☐ Support ☐ Conditionally support ☐ Do not support ☐ Not applicable

Comments:

_____
_____
_____
_____

9. **Do you support the proposed amendments to section 317 to set out that an equalized assessment is based on the current assessment year instead of assessment information from the year preceding the year in which the equalized assessment is effective?**

☐ Support ☐ Conditionally support ☐ Do not support ☐ Not applicable

Comments:

_____
_____
_____
_____

10. **Do you support the proposed amendments to section 319 that sets out in regulation the manner in which a municipality must provide declared assessment information to the Minister in order that the equalized assessment can be based on the current assessment?**

☐ Support ☐ Conditionally support ☐ Do not support ☐ Not applicable

Comments:

_____
_____
_____
_____

11. Do you agree with the proposed amendment to section 319(2) that clarifies if a municipality does not provide the information requested by the Minister, the Minister must prepare the equalized assessment using whatever information the Minister considers appropriate?

☐ Yes ☐ No

If no, please provide your reasons.

_____
_____
_____
_____

12. Do you agree with the proposed amendment to section 320(1) that the Minister must accept annually, not later than February 28 those declared assessments provided under section 319 as the equalized assessments so that the equalized assessment is prepared using the current assessment values?

☐ Yes ☐ No

If no, please provide your reasons.

_____
_____
_____
_____

13. Do you support the proposed amendment to section 320(2) that the Minister must provide to each municipality annually, not later than March 1, sufficient information showing how the Minister prepared the equalized assessments for all municipalities?

☐ Support ☐ Conditionally support ☐ Do not support ☐ Not applicable

_____
_____
_____
_____

Comments:

_____
_____
_____
_____

14. **Do you agree with the proposal to amend section 321 to allow the appeal period to be dependent on 30 days from when the equalized assessment is provided?**

☐ Strongly agree ☐ Agree ☐ Somewhat agree ☐ Somewhat disagree

☐ Disagree ☐ Strongly disagree

Comments:

_____

_____

_____

_____

15. **Do you support the proposal to amend section 322 to clarify and set out in regulation the process and procedures for the audit respecting assessment matters?**

☐ Support ☐ Conditionally support ☐ Do not support ☐ Not applicable

Comments:

_____

_____

_____

_____

16. **Do you agree with the proposed amendment to the preamble in section 324 to allow the Minister to ensure that an assessment is performed as prescribed and within the timelines specified in regulation?**

☐ Strongly agree ☐ Agree ☐ Somewhat agree ☐ Somewhat disagree

☐ Disagree ☐ Strongly disagree

Comments:

_____

_____

_____

_____

17. Do you support the amendment to section 488.1(b) to delete the words "preceding the year" to reflect the change to the use of the current assessment for the preparation of the equalized assessment?

☐ Support ☐ Conditionally support ☐ Do not support ☐ Not applicable

Comments:

_____
_____
_____
_____

18. Do you agree with the proposed amendment to section 570.1 that provides for access to information providing a confidentiality agreement exists between the municipality and the province?

☐ Yes ☐ No

If no, please provide your reasons.

_____
_____
_____
_____

19. Do you agree with the proposed transitional provision that would provide for any equalized complaints in progress as at December 31, 2003, such that they are considered as if these amendments had not come into force?

☐ Yes ☐ No

If no, please provide your reasons.

_____
_____
_____
_____

APPENDIX

Report Of The Equalized Assessment Panel

The Minister of Municipal Affairs established the Equalized Assessment Panel (EAP) in 1999 to examine, evaluate and make recommendations on Alberta's equalized assessment process.

The panel engaged in consultation with key stakeholder groups to conduct a comprehensive review of Alberta's equalized assessment process. Stakeholders who provided input to the panel included representatives of municipal associations, individual municipalities, the assessment community, and recognized assessment experts.

The EAP produced a report that details the results of their analysis and consultation, along with a series of recommendations that are aimed at improving the overall assessment practice and accuracy of data used to determine requisitions for cost-shared programs. This report was circulated to stakeholders and municipalities in August of 2001.

Implementing some of these recommendations will require changes to those parts of the Municipal Government Act (MGA) that govern Alberta's property assessment system. These changes will impact all assessment stakeholders. Other recommendations will require the Assessment Audit Unit of Municipal Affairs to consider changes in the way it carries out its day-to-day business.

The following table presents a summary of the proposed legislative changes to the Act and the corresponding recommendation(s) from the EAP report.

Table of Proposed Legislative Changes Resulting from EAP Recommendations

		EAP RECOMMENDATION							
Proposal #	MGA Section	1	2A(i)	2A(ii)	4A(i)	4A(ii)	4B	6A, B, D	New Business Practice Required
1	285								
2	293	X			X	X	X		X
3	294								X
4	295					X			X
5	297				X				
6	303								X
7	305								X
8	317				X	X			X
9	319				X	X			X
10	320	X			X	X	X		X
11	321					X			X
12	322		X	X	X	X	X	X	X
13	324								X
14	488.1								X
15	570.1	X	X		X	X			X
16	New Transitional Section								X

The next section presents the EAP recommendations and by an explanation of individual proposed legislative change(s) that may be required.

Recommendation 1

The EAP recommended that the assessment information used to calculate municipal assessments and provincial equalized assessments be made available to all municipal and provincial assessment officials.

The panel notes in its report that disclosing this information would allow municipalities to verify the accuracy and equity of their equalized assessment. Disclosure of this information would be subject to the provisions of the Freedom of Information and Protection of Privacy Act. Any information disclosed to an assessor by a ratepayer on a confidential basis (i.e., relating to net income or expense) would not be disclosed.

Municipal Affairs is working in consultation with stakeholders to develop an electronic data-sharing system. The new *Assessment Shared Services Environment* (ASSET) system is an internet-based, shared services computer environment that will allow the systems, tools, processes, data and people that deal with *property* and *assessment* to work in a coordinated and integrated fashion.

The panel's recommendation to develop an electronic data-sharing system (recommendation 5) addresses how assessment information should be made available to municipal and provincial stakeholders. The types of assessment information to be made available would include sales and related assessment data.

Implementation of the ASSET system will respond to both recommendations 1 and 5.

Proposed legislative changes 2, 10 and 15 relate to recommendation 1.

Recommendations 2A (i) and 2A (ii)

The EAP has recommended that:

- the quality standard for median assessment ratios be set at 1.0; and
- a range of 0.95 to 1.05 be allowed for overall median assessment ratios.

Proposed legislative changes 12 and 15 relate to recommendations 2A(i) and (ii).

Implementation of this recommendation will improve the quality of assessments that are used in the equalization process.

Recommendation 2B

The EAP recommended that Municipal Affairs create a guide for municipal assessors that includes the standards for ratio studies set by the International Association of Assessing Officers. The purpose of this guide would be to provide additional information to Alberta municipalities and assessing officers on:

- quality control procedures to use in calculating property assessments in municipalities;
- legislative requirements and generally accepted practices for the preparation of annual municipal assessment rolls; and
- the purpose and scope of annual and procedural assessment audits, as well as the standards used to evaluate assessment performance in municipalities, under the assessment audit program.

The Assessment Services Branch is in the final stages of developing an Assessment Audit Guide. The guide is written specifically for Alberta's municipal assessors and provincial assessment auditors who work regularly with the assessment audit program.

Implementation of this recommendation will **not** require legislative or regulatory changes.

Recommendation 2C

The EAP recommended that Municipal Affairs develop and distribute the following guides to explain the equalization process:

- a guide that provides a general explanation of the equalization process for municipal councillors and other municipal officials who are not assessment professionals; and
- a manual that provides a detailed explanation of the equalization process and implementation details on the audit process for use by assessors and staff of Municipal Affairs.

Municipal Affairs will be working on a guide similar to the one proposed by the panel in this recommendation.

Implementation of this recommendation will **not** require legislative or regulatory changes.

Recommendation 3

The EAP recommended that Municipal Affairs conduct annual reviews of the regulated rates that are used to calculate assessments for farm land, linear property, and machinery and equipment; and if necessary, adjust the rates so that they are up to date. Municipal Affairs is working on a number of initiatives related to this recommendation.

Implementation of this recommendation will **not** require legislative or regulatory changes.

Recommendations 4A (i), 4A (ii) and 4B

In recommendation **4A(i),** the EAP recommended that:

- the equalization and education requisitioning processes be changed in phases, with a **long-term goal** of using the live (current) assessment rolls of municipalities in determining the annual education requisitions for Alberta municipalities; and
- during the phase-in of the new business process, adjustments can be made to the education requisition for a municipality in the following year if the municipality's current assessment is adjusted as a result of appeals or the audit process.

In recommendation **4A(ii),** the EAP recommended that:

- a **long-term goal** be set to base the amount of the education requisition of each municipality on the current-year, or live, assessment roll.

The panel notes that one objective in phasing in this recommendation would be to implement the process to create a minimal need for subsequent year adjustments in education requisitions to reflect changes in a municipality's assessment base. The exceptions would be those resulting from ratepayer appeals, corrections to the assessment roll, or tax status changes. The panel states that this could be achieved by altering current processes and timelines to enable provincial assessment auditors to preview and audit the annual live assessment rolls of municipalities. The rolls could be adjusted to provincial standards, if necessary, before municipalities issue assessment notices to ratepayers.

The long-term objective of these recommendations is to levy municipal and education taxes using the same assessment roll. This would eliminate the one-year time lag that exists in the present system, with the intention of increasing stakeholder understanding of the system. When this is accomplished, the only adjustment needed to the education requisition would be for the changes in the

assessment base that result from successful assessment appeals, corrections to the assessment roll, or tax status changes. Revising the education requisition on a quarterly basis in the year of the requisition could reflect these changes.

The panel noted that implementing recommendation 4A(i) and 4A(ii) would require significant changes to the timelines that municipalities are required, under legislation, to meet annually in carrying out the municipal assessment function. The panel also noted that Alberta's assessment and property tax system has undergone significant transition in recent years. Some time is required to build the confidence of municipalities regarding the accuracy of the live assessments. The panel stated that the technical committee proposed in recommendation 7 should be consulted to determine when this recommendation should be implemented.

The panel suggests that both accuracy and confidence would be enhanced with the implementation of several of the recommendations contained in its report.

These recommendations will be forwarded to the MLA Education Property Tax Review Committee reviewing the education property tax system. This committee is responsible for making recommendations on how the education property tax requisitions should be calculated.

In recommendation **4B**, the EAP recommended that municipalities be required to include information in their assessment roll that will allow Municipal Affairs to identify and distinguish between the assessment base changes resulting from real growth (new construction), and assessment changes resulting from market value fluctuations (inflation) in the municipality.

This recommendation arises from concerns that municipal officials have expressed about inequities that occur when the "real-growth" factor is not taken into account in the education requisitioning process.

In any given year, the education requisition received by a municipality does not reflect any recent significant increases in real economic growth. This occurs because the education requisition a municipality receives in any given year is based on the property values in that municipality two years earlier. For example, municipal assessors determine the value of local properties as they existed on December 31, 2001, and enter them into the local assessment roll for municipal taxation purposes for 2002. The 2002 assessment roll is used, in turn, to calculate that municipality's equalized assessment and the education requisition that it will receive in 2003.

Many municipal officials believe it is important for the province to consider a municipality's real growth in population and new construction, particularly in view of the "cap" the province places on increases in education requisitions. Collecting information that distinguishes between real and inflationary growth would allow the province to monitor the effect on the education requisition and make adjustments, if necessary, in the requisitioning process.

The MLA Education Property Tax Review Committee will develop a long-term recommendation for school requisitioning purposes that may require the Assessment Services Branch to identify real growth and inflationary growth in a municipality's assessment.

Proposed legislative changes 2, 4, 5, 8-12, and 15 support the implementation of recommendations 4A(i) and 4A(ii).

Proposed legislative changes numbers 2, 10, and 12 relate to recommendation 4B (the provision of specific information), which would enable the distinction between real and inflationary growth.

Recommendation 5

The EAP recommended that the province develop a central computerized data-sharing system to house:

- the assessment database and supporting information used by municipalities to calculate their assessments;
- the assessments prepared for regulated property; and
- all sales data on real property in Alberta.

All municipal and provincial stakeholders would have access to the system (recommendation 1); allowing them to review the audit, equalization, and quality control processes that are carried out by Municipal Affairs.

The panel notes that system security, access control and access tracking and change would be essential to protect the integrity of data on this system.

In its report, the panel states that a centralized data-sharing system would assist in implementing several of its recommendations—including those related to municipal and provincial accessibility to assessment data bases (recommendation 1); use of the live municipal assessments to calculate education requisitions (recommendation 4A (i) and 4A (ii)); as well as the recommendation to require that municipalities include in their assessment roll information to allow Municipal Affairs to distinguish between real growth (construction) and market value changes (inflation) (recommendation 4B).

In July 2000, Cabinet approved Municipal Affairs' request for funding to develop and implement ASSET. Municipal Affairs is working in consultation with stakeholders to develop this electronic data-sharing system in stages.

Implementation of recommendation 5 will **not** require legislative change.

Recommendations 6A(i) and 6A(ii)

The EAP has recommended that a complex stratification methodology be used in the provincial audit program and in determining median Assessment Sales Ratios (ASR's) for equalization purposes.

Complex stratification is the practice of grouping properties first by their classification, and secondly by their use, when conducting a ratio study analysis. Local assessors group properties in their municipality based on the property's classification (for example, residential, vacant residential, and non-residential). These groups are then divided into subgroups that reflect a property's use (for example, warehouse, retail, hotel, etc.), or in the case of residential property, by geographic market area.

Municipal Affairs follows this recommendation. It has been further addressed in the newly developed Assessment Audit Guide.

The EAP also recommended that Municipal Affairs promote and enable the following practices to increase the data available to municipal assessors when preparing an assessment roll:

- the use of sales data from comparable market areas in other municipalities;
- expanding the time frame for which sales data can be used; and
- the use of independent appraisals to increase the number of other market value indicators available, if necessary, when preparing the assessment roll.

Municipal Affairs is acting on this recommendation, which has been further addressed in the newly developed Assessment Audit Guide.

Proposed legislative change 12 relates to the implementation of recommendations 6A, 6B and 6D.

Recommendations 6B(i)and 6B(ii)

The EAP has recommended that Municipal Affairs conduct a procedure audit of the cities of Edmonton and Calgary in 2001 or 2002, and that the frequency of procedure audits be increased to ensure every municipality is audited on a five-year cycle.

The panel received submissions from several stakeholders who were concerned that only smaller municipalities had been the subjects of procedural audits and that no larger municipalities had been audited in detail. In addition, the number of annual audits Municipal Affairs conducts each year is significantly below the number that is required to complete procedural audits on every municipality every five years.

Municipal Affairs will commit to completing procedural audits on the cities of Edmonton and Calgary for 2002. The department is developing a schedule for performing a detailed audit in all municipalities on a five-year cycle.

The EAP recommended that Municipal Affairs review the resources in its Assessment Audit Unit to determine if they are sufficient to meet the responsibilities of the unit.

The panel noted that the department might need to consider adding resources to this unit in order to meet the audit schedule and other responsibilities.

Municipal Affairs is updating its work plans and reviewing staffing requirements for the Assessment Audit Unit.

Recommendations 6C(i), (ii), and (iii)

The EAP recommended that:

- Municipal Affairs review the advisor role its auditors fulfill with local assessing authorities to determine if it is appropriate, or if it should be assigned to another unit of the Assessment Services Branch.
- No provincial auditor should perform the roles of both advisor and auditor for one municipality. The panel states that if auditors from the Assessment Audit Unit continue to serve in an advisory capacity to local assessing authorities, the advisor/auditor roles should be separated.
- Municipal Affairs review its resources to ensure there are sufficient staff members available to perform both the advisory and auditing functions for municipalities without one auditor performing both roles in one municipality.

The panel notes in its report that since the introduction of annual market value assessments in the 1990s, the audit function of the Assessment Services Branch has grown in complexity and changed in character. For example, provincial auditors perform two roles in their working relationship with local assessors. They serve as advisors to local assessors in respect to valuation matters such as the integrity of data and the quality of assessment. They also review the assessment roll produced by those local assessors.

It is the panel's position that provincial auditors can potentially be placed in a position where they are required to review and audit the assessments that were prepared based on advice they gave to a local assessor.

In conjunction with recommendation 6B(ii), Municipal Affairs is reviewing the work plans and responsibilities of the Assessment Services Branch to enable an effective advisory service that does not compromise the audit function.

Recommendation 6D—ASB Annual Reports

The EAP recommended that the Assessment Services Branch produce an annual report that includes results from its review of the assessment ratio studies for all municipalities, and any equalization adjustments that were made as a result of auditing the assessment rolls of those municipalities.

The panel states that this report should provide sufficient detail on market trends and related matters to allow municipal officials and other readers to understand why assessed values or equalized assessments have changed.

The panel suggests that specifications for the annual report could be developed in consultation with the Technical Committee that is proposed by the panel in recommendation 7.

Municipal Affairs produced its 2001 annual report with a view to this recommendation by the panel. The Technical Committee proposed by the panel in recommendation 7 will review the report and recommend additional changes if they are required.

Recommendation 7

The EAP recommended that a technical committee comprised of ten members be formed to advise the Minister on the technical aspects of implementing recommendations in its report.

Municipal Affairs implemented this recommendation through the appointment of a 10-member Technical Committee with representation from the two major cities, Alberta Association of Municipal Districts and Counties, Alberta Urban Municipalities Association, Alberta Assessors' Association and Municipal Affairs.